



November 5, 2007

Mr. Steve Hill, Administrator
Health Care Authority
PO Box 42700
Olympia, WA 98504-2700

Benefits Administration / Insurance Accounting System (BAIAS) Project
Quality Assurance Report

Dear Mr. Hill:

The enclosed report represents quality assurance findings and recommendations for the BAIAS Project through the month of October. We have attended Steering Committee meetings, the Advisory Group meeting, project team meetings, and working sessions with various staff and stakeholders. The project was focused on evaluating the responses to the RFP seeking a proven system integrator to configure and implement the SAP software obtained for BAIAS and has:

- Begun working on a staff resource plan,
- Conducted a pre-proposal conference with interested vendors,
- Responded to questions and concerns from vendors regarding the RFP,
- Received RFP responses from five vendors,
- Completed the evaluation process of each of the submittals for initial responsiveness as part of Cut 1,
- Completed the evaluation process of the four responses passed into Cut 2.
- Begun evaluation of the three responses deemed competitive and passed into Cut 3,
- Utilized many experts from partner organizations on the evaluation teams,
- Conducted training on process mapping for the core team,
- Begun mapping the first “as is” business process,
- Invited partners to participate in the BPR activities; and
- Submitted a BAIAS decision package for the Governor’s supplemental budget.

We are not offering any new recommendations at this time. Progress is continuing on the three open recommendations.

Mr. Steve Hill
Health Care Authority

November 5, 2007

A summary of recommendation status is included as Appendix A attached to this report. Please don't hesitate to call Julie Boyer or myself at 360.956.9064 if you have any questions or concerns.

Sincerely,



Kathleen Nolte
Director

Enclosure

cc: Gary Robinson, Department of Information Services
Beth Dupre, Deputy Administrator
Mary Fliss, Assistant Administrator
Heide Cassidy, Project Manager
Tom Parma, Department of Information Services



Washington State Health Care Authority

**Benefits Administration / Insurance
Accounting System Project**

QUALITY ASSURANCE

Periodic Report

September 1 through October 31, 2007



STERLING
ASSOCIATES, LLP

Quality Assurance Findings—*What is...*

◆ Environment

- In August, the Heath Care Authority (HCA) released an RFP for a system integrator after acquisition of SAP software through a sole source contract. The HCA is coordinating the acquisition process through the Department of General Administration (GA). A contract specialist from GA is the RFP coordinator and is communicating with the vendors and providing guidance to the HCA staff as acquisition issues arise.
- HCA has planned for a series of evaluation steps (“cuts”) in evaluating the proposals.
 - Cut 1 – This includes evaluation of the status of the vendor and the proposal to confirm each as being responsive.
 - Cut 2 – This includes evaluation of the experience and qualifications of each vendor to calculate a competitive range.
 - Cut 3 – This includes evaluation of all scored elements of the proposals to determine relative ranking.
 - Cut 4 – This includes evaluation comprehensively of all results and rankings as well as the oral presentations and results from the best and final offer.
- Five proposals were received from interested vendors who responded to the RFP by the deadline in early October. One of the proposals was returned to the vendor after it was found to be unresponsive in Cut 1. Four proposals advanced for further review into Cut 2. Three of these proposals were deemed competitive and advanced for further review into Cut 3. Evaluation of the three proposals is progressing in Cut 3 and scheduled to be completed in early November. Proposals deemed competitive will advance into Cut 4 and the vendors will be invited to participate in oral interviews.
- The HCA has contracted with Public Knowledge to support its BPR efforts and map some of the current business processes before the gap analysis begins when the system integrator arrives in early 2008. The core team has identified the current products associated with each business process and inventoried the results. The core team received training on business process mapping from Public Knowledge and has begun mapping their first process.

Quality Assurance Findings—*What is...*

◆ Approach

- The HCA received viable responses to its RFP from four vendors interested in system integration and helping HCA design and implement their new business system using the SAP software.
- The HCA is seeking an integrator with proven experience implementing a similar business system in the public sector using SAP software. The HCA has utilized expertise from other agencies to help with the evaluation process. All of the individuals involved in the evaluation have received orientation on the evaluation and scoring process. The RFP coordinator is attending each scoring session and documenting the results of Cut 1, 2, 3 and 4. The HCA plans to announce the apparently successful vendor by the end of December and begin contract negotiations in early January.
- The HCA plans to have some of their partners involved in the BPR process to help the core team map the current business processes. After extending invitations to 11 partners, 10 of the partners have indicated they plan to send representatives to be part of the BPR process mapping. Participation of volunteers solicited from partner agencies will allow end-to-end mapping of key processes and provide insight into how business information is acquired and disseminated by other organizations.

Quality Assurance Findings—*What is...* (continued)

◆ Schedule

- The acquisition activities remain on schedule for the BAIAS project. HCA plans to have the system integrator under contract in March 2008.
- The expectation by HCA that the integrator will be responsible for developing and maintaining an integrated project plan with built-in resource levels and dependencies remains unchanged. After the Gap Analysis Phase, the project will have the information it needs to develop a fully integrated project plan to guide and monitor progress. The HCA currently manages separate work plans for the acquisition phase and the BPR activities.

➤ *See Previous Recommendation #1 in Appendix A*

◆ Expectations

- Staff from the HCA and OFM Accounting Division met to discuss the high-level approach planned for implementation of the new business system. OFM staff stressed the importance of communication between the two organizations and their desire to avoid surprises as the new system is configured and implemented. They indicated they had been receiving regular updates from HCA and did not propose any changes be made in the frequency or level of detail. Communication about the project to all partner agencies will continue on a monthly basis until activities impacting partners warrant more frequent contact.



Quality Assurance Findings—*What is...* (continued)

◆ Resources

- The project team hired a communication specialist and an administrative assistant during this reporting period. Interviews continue for a budget / fiscal analyst for the project.
- The project sponsors and director are considering how to organize and manage a mix of contracted and state resources within the project. Like other large business projects in state government, the HCA will have to clearly articulate the roles and responsibilities of all participants in order to avoid confusion about the expected results and accountability for deliverables. Over time, the roles and responsibilities may have to be revised to reflect changes in resource levels or approach.
- Individuals working on the project team may not have previous experience working on a formal business system development project and may need assistance understanding the governance model, resource management, resource utilization, and accountability for deliverables. Understanding the conditions that exist within the project should help individuals work and contribute successfully to the BAIAS effort.
- Project management is in the process of developing a resource plan based on its own resource estimates and the expected approach of the system integrator. The detailed plan will be presented to the Steering Committee once it is completed. The information in the resource plan is also being used for the decision package being submitted to OFM as part of the supplemental budget request. Coordination of the supplemental budget request within the HCA appears to be good and communication with stakeholders about the request is underway.
 - *See Previous Recommendation #4 in Appendix A*



Quality Assurance Findings—*What is...* (continued)

◆ Leadership

- Individuals in leadership positions continue to be accessible and involved with the project on issues that need their attention. While not personally involved in the evaluation of proposals, these individuals are regularly apprised of the progress being made to identify an apparently successful vendor and the risks facing the project. These individuals respond quickly to any request related to the ongoing risk management efforts.

◆ Controls

- While some of the controls being utilized currently to manage the project are sufficient, additional controls will have to be developed and maintained as the system integrator arrives and the level of activity increases. Reporting templates and routines that report project conditions to the project sponsors and Steering Committee have not yet been established to assure the work is completed on time and within budget.

◆ Communication

- A communication specialist has just been hired to support the project work on communication and change management. Revision of the Communication Plan is still pending.
 - *See Previous Recommendation #3 in Appendix A*

Quality Assurance Findings—*What is...* (continued)

◆ Credibility and Integrity

- Credibility and integrity associated with the BAIAS project remains high. Submission of proposals by multiple Tier 1 vendors reflects well on the project and its efforts to attract vendors with proven track records as successful integrators.

◆ Commitment

- Commitment by individuals involved in the BAIAS project is strong. Questions or concerns raised internally or externally are posed to decision makers and responded to as quickly and completely as possible.
- Partners representing 10 other organizations have volunteered their own staff to participate on BPR activities without receiving direct compensation for their time. This level of resource reflects a high level of commitment by HCA's partners.

Appendix A - Summary of Recommendations

Quality Assurance Recommendations									
Recommendations		Oct 2006	Dec 2006	Feb 2007	April 2007	June 2007	Aug 2007	Oct 2007	Status / Comments
1	Develop a project plan reflecting the assumptions built into the project and the resources available, including major tasks, milestones, decision points, dependencies, schedule and the critical path. Ensure collaboration among all participants to identify dependencies and a reasonable schedule for completion.	➤	➤	➤	➤	➤	➤	➤	In progress. This will be in progress until the gap analysis phase is completed.
3	Revise the communication plan and include identification of specific stakeholder needs, required information, responsibilities for completion, and timing of communication.	➤	➤	➤	➤	➤	➤	➤	Hired communication specialist.
4	Develop a detailed staff resource plan that reflects the magnitude of this business project, the impact to customers that extend far beyond all state agencies, and the contributions needed by partners.						☆	➤	Development of a resource plan is in progress.
☆ Recommendation made ✓ Recommendation implemented ➤ In progress ✕ Recommendation not yet implemented Recommendations not included have been closed for more than one month.									